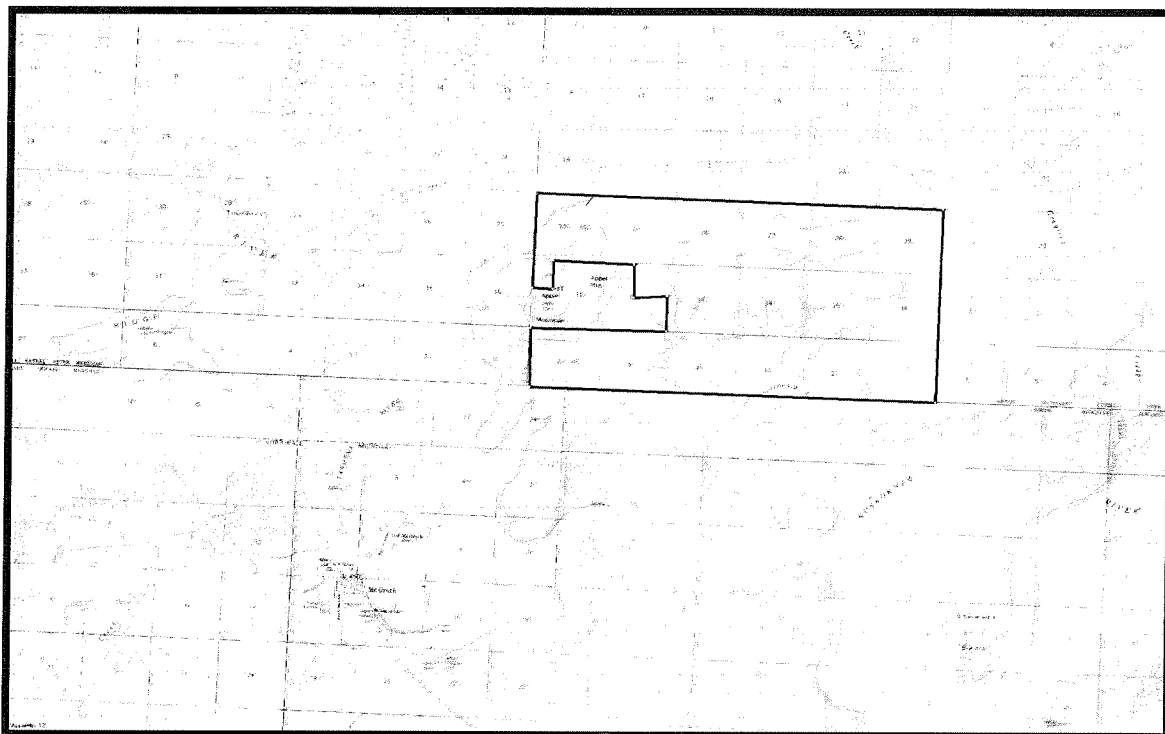


# MARKET VALUE APPRAISAL

Of

Hypothetical Key Parcels within the Appel II Recreational Cabin Staking Areas



BASE APPRAISAL REPORT No. 3206

STATE OF ALASKA  
Department of Natural Resources  
Division of Mining, Land & Water  
550 West Seventh Avenue Suite 650  
Anchorage, AK 99501-3576

# MEMORANDUM

# State of Alaska


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Division of Mining, Land and Water  
550 West 7<sup>th</sup> Avenue, Suite 650  
Anchorage AK 99501-8914

DATE: February 7, 2003

TO: Judy A. Robinson, SRWA  
Review Appraiser

FROM: Brandon Simpson



SUBJECT: Appraisal of Two Hypothetical parcels in Appel II Remote Recreational Cabin Site  
Staking Area – Base Appraisal Report no. 3206

As requested, I have completed base reports valuations for hypothetical key parcels in the above staking area. I understand that this appraisal will be used to determine the base purchase price for recreational parcels staked within this area. I am submitting this report for your review and approval.

The appraisal was completed in accordance with the "Uniform Standards of Professional Appraisal Practice" of the Appraisal foundation and in accordance with the Special Appraisal Instructions, DNR Remote Recreational Cabin Site Disposal, Calendar Year 2003. This is a complete, summary report based on the General Assumptions and Limiting Conditions stated in the report, as well as the facts, analyses, and reasoning leading to the opinions of value.

I have not inspected the subject area or the comparable sales used in the report. Physical descriptions of the key parcels were based on aerial photography, topographic maps, previously completed appraisal reports, and interviews of various individuals familiar with the area. Based on my observations and analyses of all available data, I have formed an opinion of the market values as of the effective date of value.

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## APPRAISAL SUMMARY

### Appel II

The Appel II Staking Area is located north of the Kuskokwim River, 8 air miles and 15 river miles northeast of the community of McGrath. This area encompasses approximately 10,560 gross acres.		
Legal Description	Within sections 25-36, Township 28 South, Range 18 East and sections 1-6, Township 29 South, Range 18 East, Kateel River Meridian.	
Owner	State of Alaska	
Staked Parcel Size	Five to twenty acres (5-20 ac)	
Hypothetical Parcel	Parcel 'A' - Waterfront	Parcel 'B' - Interior
Size	15 acres	15 acres
Access	1 <sup>st</sup> tier* parcel within 500' of the Kuskokwim River	More than ¼ mile from the Kuskokwim River
Building site	Average	Average
Easements/Setbacks	Typical section line, pedestrian and trail. 300' setback from Kuskokwim River.	Typical section line, pedestrian and trail.
Amenities	Average view potential	Average view potential
Improvements	None	
Highest and Best Use	Recreational cabin site	
Interest Appraised	Fee simple title, excluding mineral rights.	
Date of Inspection	Not inspected	
Effective Date of Value	February 7, 2003	
Date of Report	February 7, 2003	

\*A 1<sup>st</sup> tier parcel either has direct frontage on a lake or river, or is separated from the water by public land. 2<sup>nd</sup> tier parcel is one that is separated from the frontage by another parcel.

Conclusion of values for Hypothetical Key Parcels		
Key Lot	Parcel 'A' - Waterfront	Parcel 'B' - Interior
Size	15 acres	15 acres
Site Value	\$18,000	\$12,000
Unit Value	\$1,200	\$800

## Adjustments

Date of Value	Date of Entry	To be determined
Location	No distinction within staking area	None
Size-acres	Adjustments for size variations.	See Addenda
Access	Between 501' to 900' from fly-in or boat access.	0.85 of Key 'A'
	Between 901' to 1320' from fly-in or boat access.	0.75 of Key 'A'
Easements	Typical easements are considered in base value. Other easements will be considered based on reduced useable area & impact on value.	To be determined
Building site	Good: less than 40% of swamp	1.10
	Average: 40%-60% swamp	1.00
	Poor: more than 60% swamp	0.90
Amenities	Typical view of surrounding areas	1.00
	Exceptional views of surrounding areas	1.10
	Within 500' of trail	1.10
	Within 500' of small creek	1.10

**Adjustment Process:** An adjustment of less than 1.00 means the feature of the staked parcel is inferior to the hypothetical key parcel and requires a downward price adjustment. An adjustment of greater than 1.00 means the feature is superior to the hypothetical key parcel, requiring an upward adjustment. An adjustment of 1.00 means the property feature is similar to the key parcel, and no adjustment is necessary. The adjustments are multiplied to obtain a total adjustment, which is then multiplied by the estimated value of the key parcel to yield a value for the staked parcel.

## PREMISES OF THE APPRAISAL

### Type of Appraisal and Report

This appraisal is a complete, summary appraisal prepared in accordance with Standards Rule 1 and 2 of the current edition of **Uniform Standards of Professional Appraisal Practice** (USPAP), and in accordance with Special Appraisal Instructions, DNR Remote Recreational Cabin Site Disposal, for calendar year 2003.

### Purpose of Appraisal

The purpose of this appraisal is to estimate current market value.

### Intended Use of Appraisal

The appraisal will be used by DNR to determine the purchase price for parcels to be acquired under the Remote Recreational Cabin Site staking program (AS 38.05.600).

### User and Client Identity

This appraisal is prepared for the State of Alaska, Department of Natural Resources and the general public.

### Property Rights Appraised

Rights appraised are fee simple estate less mineral rights reserved to the State of Alaska under **AS 38.05.125(a)**.

Fee simple estate is defined as<sup>1</sup>:

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<sup>1</sup> The Appraisal of Real Estate, Eleventh Edition, Appraisal Institute, 1196, p.7

"Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."

**AS 38.05.125(a)** states<sup>2</sup>:

Reservation. (a) Each contract for the sale, lease or grant of state land...is subject to the following reservations: "[sic] the party of the first part, Alaska, hereby expressly saves, excepts and reserves... unto itself, its lessees, successors, and assigns forever, all oils, gases, coal, ores, minerals, fissionable materials, geothermal resources, and fossils of every name, kind or description, and with may be in or upon said land... [and the right] to occupy as much of said land as may be necessary or convenient... to render beneficial and efficient the complete enjoyment of the property and rights hereby expressly reserved."

**Definition of Market Value**<sup>3</sup>

"The most probable price, as of a specified date, in cash, or terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress."

**Effective Date of Value**

The effective date of the value estimate is February 7, 2003.

**Exposure Time**

Exposure time is defined as <sup>4</sup>: "...the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal..."

Exposure time can vary depending on the type of property being appraised and constantly changing market conditions. Supply and demand of similar properties to the subject is an important factor for determining exposure time.

Remote parcels similar to the subject typically require a year or longer of marketing time. The subject parcels are considered average to poor when compared with other available properties on the market. Based on exposure time for similar properties, the estimated values are based on a exposure time of one to three years.

**Marketing Time**

"Marketing time is an opinion of the amount of time is might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal."<sup>5</sup>

Based on current market conditions for similar properties the estimated value is based on a marketing time of one to three years.

**Scope of the Appraisal**

I did not inspect the staking area in the field. Physical features, access and utilities were identified by the use of topographic maps, status plats, aerial photographs, DNR appraisal records, and interviews with people who are familiar with the area.

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<sup>2</sup> Alaska Statutes Title 38, Public Land Article 5, State of Alaska, 2000, pp. 577-78

<sup>3</sup> The Appraisal of Real Estate, Eleventh Edition, Appraisal Institute, 1996, p.22

<sup>4</sup> Uniform Standards of Professional Appraisal Practice 2001, Appraisal Foundation, p. 83.

<sup>5</sup> Op Ci, p. 128

Also, DNR appraisal records were searched for recent sales of similar parcels. Interviews were conducted with real estate agents, appraisers, and other individuals who provided data about trends in values, supply and demand. Sellers and buyers were contacted to verify sale prices and other transaction details.

After analysis of all available data, appropriate comparable sales were selected. The market value estimate was derived from this process and is based on the following assumptions and limiting conditions.

#### **Assumptions and Limiting Conditions**

1. The property is appraised as vacant land without structural or site improvements.
2. All engineering studies are assumed to be accurate. Plats and illustrative material included in the report are intended to help the reader in visualizing the properties.
3. Information furnished by others and included in the report is believed to be reliable but the appraiser does not warrant the accuracy of such information.
4. Unless otherwise noted in the report, the appraiser did not find any evidence that hazardous materials exist on these properties. The estimate of value is based on the assumption that there are no such materials on the property. The appraiser is not qualified to detect these substances. No responsibility is assumed for any such conditions or for any expertise or engineering knowledge that is required to discover these substances.
5. The appraiser, by reason of this appraisal, is not required to give further consultation or testimony, or be in attendance in court with reference to the property in question unless arrangements have been made in advance.

### **PRESENTATION OF DATA**

#### **McGrath Alaska**

The Appel II staking area is located along the Kuskokwim River just north of McGrath Alaska. McGrath is located 221 miles northwest of Anchorage and 269 miles southwest of Fairbanks in Interior Alaska. It is adjacent to the Kuskokwim River directly south of its confluence with the Takotna River. McGrath lies at the base of the Kuskokwim Mountains with the Alaska Range and Mt. McKinley to the east.

The McGrath area has a cold, continental climate. Average summer temperatures range from 62 to 80, winters temperatures can range from -64 to 0. Precipitation is light, averaging 10 inches per year, including an average snowfall of 86 inches. The Kuskokwim River is generally ice-free from June through October.

As of 2000 the population for McGrath was 401 which is down from 528 in 1990<sup>6</sup>. The population is split evenly between natives and non-natives. Part of the drop in population experienced in McGrath can be linked to the closure of Nixon Fork gold mine located 30 miles northeast of town. This mine closed in May 1999 due to low gold prices and laid off 45 year round employees.

In addition to mining, McGrath functions as transportation, communications, and supply center in Interior Alaska. Many residents also rely on salmon, moose, caribou, bear, and rabbits for subsistence. Some residents also trap and tend vegetable gardens.

There are no road connections to McGrath, but local roads are used by ATVs and trucks. Winter trails are marked to Nikolai (50 mi.) and Takotna (20 mi.) Residents rely on air service and barges to deliver cargo. Air facilities include a State-owned 5,435' paved runway with a 1,700' crosswind landing strip, and a seaplane base on the Kuskokwim River. The airport is currently undergoing major improvements. There is no dock, however, a boat launch ramp is available<sup>7</sup>.

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<sup>6</sup> US Census Bureau, 2000, Alaska Department of Labor

<sup>7</sup> DCED, Community Database

### **Appel II Staking Area**

The Appel II Staking Area is located north of the Kuskokwim River, 8 air miles and 15 river miles northeast of the community of McGrath. This area encompasses approximately 10,560 gross acres within sections 25-36, Township 28 South, Range 18 East and sections 1-6, Township 29 South, Range 18 East, Kateel River Meridian. There are 45 staking parcels planned for this offering.

The staking area is located at the foot of the Kuskokwim Mountains. The Kuskokwim River runs through the southern portion of the staking area. Small creeks and drainages flow from the staking area into the river. The area contains thick silty colluvial sediment over partially weathered bedrock. Most of the area has shallow permafrost. The elevation increases to the north into broad sloping uplands with ridges along low mountains. Views are available of the surrounding mountains, streams and valleys.

Vegetation is varied throughout the staking area. Large white spruce and cottonwoods are found near stream bottoms, with black spruce and muskeg on poorly drained flats and north facing slopes. Small aspen, birch and spruce grow on the steep hillsides giving way to alpine tundra as elevation increases. Water from streams is abundant at lower elevations. Ground water quality is unknown.

Access to the area is by boat or floatplane during summer months or by snow machine, ski plane or dogsled in the winter. RST 140, the McGrath-Telida Trail and RST 345, the Kobi-McGrath Trail are located within the northwest corner of the staking area. Access into the general area would be via McGrath by plane.

The area has numerous recreational opportunities including hunting, fishing, and snowmachining. The Kuskokwim River at McGrath has king, coho and chum salmon as well as sheefish and whitefish. Moose, caribou, black and brown bears as well as sheep in the surrounding mountains provide the hunting opportunities.

## **ANAYLSIS AND CONCLUSIONS**

### **Highest and Best Use**

Analysis of highest and best use for the subject properties is necessary to accurately estimate the value of the land. Highest and best use analysis ensures that the value estimate is derived with the use in mind that maximizes the utility for a given property. The appropriate highest and best use for a given property is determined by the conditions of the market. Highest and best use can be defined as<sup>8</sup>:

"The reasonably probable and legal use of vacant land or an improved property that is physically possible, legally permissible, appropriately supported, financially feasible, and that results in the highest value."

The land to be valued is considered vacant and thus valued with the highest and best potential use for the property. Value for improvements (when present on the site) is then based on their contribution to this use. The appraised property is vacant and unimproved.

### **Legally Permissible**

These subject parcels are not subject to any known zoning requirements that would be restrictive to potential development. Development of well and septic systems must comply with the requirements of the Department of Environmental Conservation. The hypothetical key parcels could be developed for almost any legal use.

### **Physically Possible**

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<sup>8</sup> The Appraisal of Real Estate, Twelfth Edition, Appraisal Institute, 1196, p.305



The subject size and physical characteristics are adequate to support all reasonable and probable uses. Staked parcels will be 5 to 20 acres.

#### **Financially Feasible**

Surrounding land use is primarily recreational. Development of the parcel depends on the amount of resources the owner is willing to allocate for recreational needs.

#### **Maximally Productive**

Maximally productive use is the use that produces the maximum return from the proceeds of a sale or lease. Access to fishing, hunting and snowmachining is the primary motivation for recreational users in the McGrath area.

#### **Highest and Best Use of Land as Vacant**

Based on the foregoing analysis, the highest and best use of the subject parcel as vacant would be for almost any legal use, primarily a private recreation cabin site.

### **SALES COMPARISON APPROACH**

#### **Key Parcel Method**

In appraising more than one similar parcel, it is an accepted practice to appraise a key parcel that is most representative of the other parcels being appraised. The key parcel may be a hypothetical parcel or an actual parcel. The value of the remaining parcels is then based on a comparison to the key parcel.

#### **Explanation of Adjustments**

DNR appraisal instructions for the Remote Recreational Cabin Site program require the appraiser to develop and use quantitative adjustments. Ideally, the value differences for any price adjustment is measured by comparing prices of paired sales that are very similar except for the feature of comparison to be measured. When market sales do not support quantifiable adjustments for differences and the comparable sales, the appraiser must use personal knowledge of overall trends, opinion surveys, and/or judgment in making adjustments. The conventional sequence of adjustments is property rights conveyed, financing terms, conditions of sale, time, location, and physical features.

An adjustment of less than 1.00 means the sale feature is superior to that appraised property and requires a downward adjustment to indicate the value of the key parcel. An adjustment greater than 1.00 means that the sale feature is inferior to the subject, requiring an upward adjustment to indicate the value of the key parcel. An adjustment of 1.00 means the sale feature is similar to the key parcel, and no adjustment is necessary. The adjustments are multiplied to obtain a total adjustment, which is then multiplied by the sale price to indicate the value of a key parcel.

The same adjustments and procedures are applied to the key parcel value to indicate the market value of a parcel being appraised, except the direction of adjustment is reversed when comparing appraised parcels to the key parcel. Superior features require a positive adjustment compared with the appraised parcel; inferior features require a negative adjustment. The following is a summary of adjustments and how they were estimated. Detailed information about the comparable sales and the adjustments is contained in the Addenda.

**Unit of Comparison** Generally, the buyers and sellers in the market place determine the unit of comparison, e.g. price per acre, square foot, site, front foot, etc. The price per acre is the most commonly recognized unit of comparison in the subject market.

**Rights Conveyed** Fee simple less mineral rights as per Alaska Statute 38.05.125(a). Retention and exclusion of the mineral estate does not tend to affect property values, because most buyers are interested in the surface estate.

**Financing Terms** In accordance with DNR instructions, market value is estimated in terms of seller financing typical for the market. Cash transactions sometimes are afforded a discount from typical financing. Sales used in this analysis do not offer measurable differences in prices as a result of terms. In general a cash transaction would tend to be at the lower end of the price range with listings usually setting the upper limit.

**Conditions of Sale** Unless otherwise noted the market transactions used in this appraisal do not reflect any unusual seller-buyer motivations that affected value.

**Market Conditions (Time)** Analysis of real estate sales in the subject area indicates that prices of vacant land have been level in the recent years. Comparable sales used in this valuation are the most recent transactions available and need no time adjustment.

**Location** The key parcels and comparables are located in the area known as Alaska Range West. This is a remote road less area with limited access. Parcels that are closer to population centers have greater appeal. Two comparables were adjusted due to their more remote location.

**Size** The price per unit and size of a given unit tend to have an inverse relationship. As the size of a parcel increases the price paid per acre decreases. Comparables that differed from the key parcel by more than one acre were given size adjustments based on a chart derived from market data by Steve Starrett, staff appraiser. In general, his findings point to a 25% decrease in unit price each time the size of a parcel doubles. A size adjustment chart is included in the addenda to show how the adjustments were derived.

**Access** Snow machines, wheeled planes and/or floatplanes provide access to all comparable and subject parcels. Boat access is also possible for all but two comparables. Lack of this additional mode of access reduces market appeal and necessitates a adjustment. The adjustment was based on analysis of the size adjusted comparables with and without boat access.

**Utilities** The staking area and all comparables lack utilities.

**Amenities** Exceptional features of a given parcel may increase value. Features such as type of water frontage, proximity to creeks and small ponds, exceptional views and overall site quality are examples of amenities that may warrant a adjustment.

**Site Quality** Factors such as drainage, soils, and topography may affect the location, size and number of potential building sites. Adjustments were given to two comparables that had areas of poor soils.

## APPEL II HYPOTHETICAL KEY PARCELS 'A' AND 'B'

The hypothetical parcel 'A' is a 15 acre site with waterfront amenities and the parcel 'B' is a 15 acre site lacking waterfront amenities.

The following sales are the most recent transactions available for valuation of key parcels:

Comp #	Comp ID	Sale Date	Frontage	Legal	ASLS	Size/acres	Sale Price	Price/acre
1	12618	7/1/98	Holitna River	Lot 4	USS 9135	39.97	\$40,000	\$1,001
2	12622	2/28/01	Big River		85-143	15.1	\$10,000	\$662
3	12653	3/21/01		Tract B	84-120	37.95	\$22,500	\$593
4	13401	11/1/96	Takotna Rv.		91-162	37.57	\$28,000*	\$745
5	13650	11/26/02	Takotna Rv.		88-178	20.76	\$17,601	\$848
6	13651	6/17/02	Nixon Fork		87-335	36.33	\$24,004	\$661

\*Comp #4 sale price was \$30,000 (included a partially completed cabin valued at \$2,000 by grantee)

**Key Parcel 'A' - Appel II Remote Recreational Staking Area**

Location Appel II Staking Area  
 Size 15.00 acres  
 Access 1<sup>st</sup> tier parcel within 500' of the Kuskokwim River  
 Utilities None  
 Building Site Average with about 50% level to gently sloping, adequately drained, and forested. Permafrost may be present and sites may be subject to seasonal flooding.  
 Easements Normal lot line easements or as required by platting authority  
 Setbacks 300' from the Kuskokwim River  
 Amenities Normal view of surrounding landscape

**Key Parcel 'B' - Appel II Remote Recreational Staking Area**

Location Appel II Staking Area  
 Size 15.00 acres  
 Access Fly-in, more than ¼ mile from the Kuskokwim River  
 Utilities None  
 Building Site Average with at least 50% level to gently sloping, adequately drained, and forested. Permafrost may be present.  
 Easements Normal lot line easements or as required by platting authority  
 Amenities Normal view of surrounding landscape

**Adjustment Grid - Key Parcel 'A' - Appel II Remote Recreational Staking Area**

ITEM/COMP.	'A'	COMP 1	COMP 2	COMP 3	COMP 4	COMP 5	COMP 6
Comp. ID #	Key Lot	12618	12622	12653	13401	13650	13651
Date of Sale		7/1/98	2/28/01	3/21/01	11/1/96	11/26/02	11/26/02
Total Sales Price		\$40,000	\$10,000	\$22,500	\$28,000	\$17,601	\$24,004
Size, Acres	15.000	39.970	15.100	37.950	37.570	20.760	36.330
Price per/acre		\$1,001	\$662	\$593	\$745	\$848	\$661
<b>COMPARISONS</b>							
Property Rights	Fee less MR	Similar	1.00	Similar	1.00	Similar	1.00
Financing Terms	Typical	Similar	1.00	Similar	1.00	Similar	1.00
Conditions of Sale	Normal	Similar	1.00	Similar	1.00	Similar	1.00
Mrktg. Cond/Time		7/1/98	1.00	2/28/01	1.00	3/21/01	1.00
Total Adjustments			1.00		1.00		1.00
Adjusted Unit Price			\$1,001		\$662		\$593
<b>PHYSICAL COMPARISONS</b>							
Location	Appel II	Similar	1.00	Inferior	1.10	Inferior	1.10
Size, Acres	15.000	39.970	1.57	15.100	1.00	37.950	1.53
Access	B/FP/SM	Similar	1.00	Inferior	1.54	Inferior	1.54
Utilities	None	Similar	1.00	Similar	1.00	Similar	1.00
Amenities	Average	Similar	1.00	Similar	1.00	Superior	0.90
Site Quality	Average	Similar	1.00	Similar	1.00	Similar	1.00
Total Adjustments			1.57		1.69		2.33
INDICATED PER/ACRE VALUE	\$1,200	\$1,571	\$1,122	\$1,383	\$1,140	\$1,119	\$1,068

**Comp 1** is a 39.97 acre parcel about 110 miles southwest of the staking area. Similar to the staking area, this remote sale has a area of development in close proximity. Hunting and fishing are reported to be excellent in the immediate area of this sale but quantitative adjustments for this factor are difficult to obtain. As a result, the only adjustment made was for size which yielded a per/acre value of \$1,571.

**Comp 2** is a 15.1 acre parcel located approximately 60 miles south of the staking area. Although the sale fronts on the Big River, boat access is not possible as this rivers current is too swift. Access is provided by wheeled plane via a gravel bar found approximately ½ mile away. After adjusting the sale indicates \$1,122 per/acre.

**Comp 3** is 37.95 acre sale located about 80 miles south of the staking area. The parcel is located on a low divide between Big River and Lyman Fork. Access is possible via a gravel bar airstrip and a ¾ mile walk-in. The lack of frontage is offset somewhat by tremendous views of Mt. Hesperus and access to water via a spring on the lot line. After adjusting for location, size, access and amenities the sale yields a per/acre price of \$1,383.

**Comp 4** is 37.57 acres and located just east of the staking area on the northeast shore of the Takotna River. This parcel is setback 100 feet from the river. Sale included a partially finished cabin valued at \$2,000. After adjusting for size \$1,140 is the per/acre value.

**Comp 5** is 20.76 acres and located just east of the staking area. This was part of the 2002 DNR auction. The minimum bid for the parcel was \$12,000 and it sold for \$17,601. The sale is setback from the Takotna River by 100 feet. In addition to a size adjustment a site quality adjustment was given to account for a swampy area found on the parcel. The adjusted per/acre value is \$1,119.

**Comp 6** is 36.33 acres and also found just east of the staking area. This sale was also part of the 2002 DNR auction and had a minimum bid of \$17,000 and sold for \$24,004. Adjustments were made to account for a swampy area and the large size of the parcel. This sale is also setback from the river by 100 feet. After adjusting the per/acre price indicated is \$1,068.

#### **Reconciliation Parcel 'A'**

After adjustment the comparable sales yielded a range of \$1,068 to \$1,571 per/acre, with a mean of \$1,234 per/acre. Comparable no. 1 sets the high end of the range of sales as a result of the excellent fishing and hunting in the area. If the sales are analyzed without Comparable no. 1 the range becomes \$1,068 to \$1,383 with a mean of \$1,166. Sales 4 – 6 are located on the Takotna River very close to the staking area and show a narrow range of \$1,068 to \$1,140. After considering the aforementioned factors, the per/acre value estimate for Key Parcel 'A' is \$1,200 or \$18,000 for a 15 acre riverfront parcel.

### Adjustment Grid – Key Parcel 'B' – Appel II Remote Recreational Staking Area

ITEM/COMP.	PARCEL 'A'	PARCEL 'B'	
Comp. ID #	< 500'	> 1/4 mi	
Date of Sale			
Total Sales Price	\$18,000	\$18,000	
Size, Acres	15.000	15.000	
Price per/acre		\$1,200	
COMPARISONS			
Property Rights	Fee Less MR	Similar	1.00
Financing Terms	Typical	Similar	1.00
Conditions of Sale	Normal	Similar	1.00
Mrktg. Cond/Time		Similar	1.00
Total Adjustments			1.00
Adjustd Unit Price			\$1,200
PHYSICAL COMPARISONS			
Location		Similar	1.00
Size, Acres	15.00	15.00	1.00
Access	B/FP/SM	Inferior	0.65
Utilities	None	Similar	1.00
Amenities	Average	Similar	1.00
Total Adjustments			0.65
INDICATED PER/ACRE VALUE			
	\$1,200	\$780	

#### Parcel 'B'

For a parcel that lacks waterfront amenities the value estimate is \$800 per/acre, or \$12,000 for a 15-acre parcel. This adjustment is based on comparing the size adjusted per/acre values of the comparables with waterfront amenities and those lacking frontage.

## CERTIFICATION OF VALUE

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and is my personal, unbiased professional analyses, opinions and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.
- My compensation is not contingent on an action or event resulting from the analyses, opinions and conclusions in, or the use of, this report.
- To the best of my knowledge and belief, the analyses, opinions, and conclusions were developed and presented in this report in conformity with the requirements of the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation.
- I have the knowledge and experience necessary to competently complete this appraisal assignment.
- My opinion of market value and market rent for these parcels is shown on the preceding page.

2/7/03

Dated

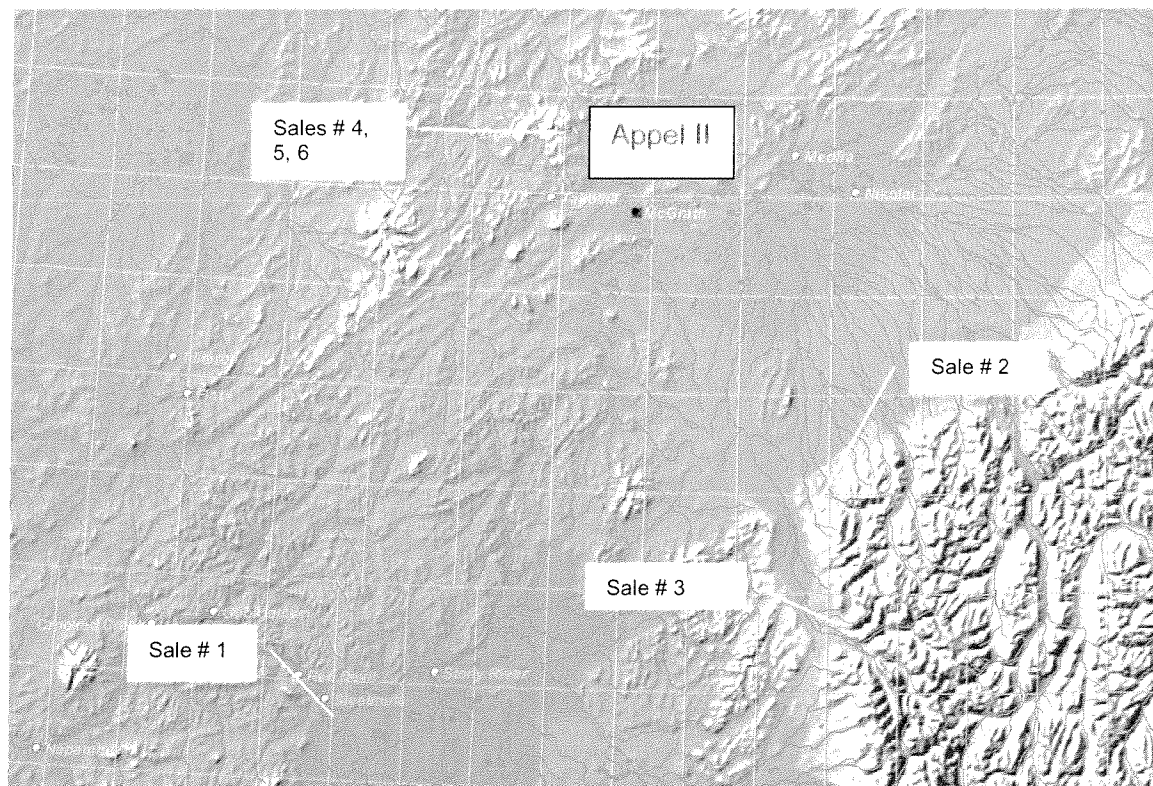


Brandon Simpson, Dept. of Natural Resource

## **ADDENDUM**

Comparable Sales Map  
Comparable Sale Forms  
Size Adjustment Chart  
Special Appraisal Requirements 2003  
Appraiser Qualifications

## MARKET DATA MAP





ID: 12618	PHOTOGRAPH/MAP:
<b>REGION:</b> SOUTHCENTRAL <b>AREA:</b> ALASKA RANGE WEST <b>NEIGHBORHOOD:</b> SLEETMUTE <b>LOCATION:</b> EAST SIDE OF HOLITNA RIVER, 1/2 MI S OF CONFLUENCE WITH KUSKOKWIM R., SOUTH OF SLEETMUTE <b>FRONTAGE NAME:</b> HOLITNA RIVER <b>SUBDIVISION:</b> USS	
<b>GRANTOR:</b> ALEXIE, MOLGA <b>GRANTEE:</b> HILL, HENRY	
<b>DATE OF SALE:</b> 7/1/1998 <b>SALE PRICE:</b> \$40,000.00 <b>ACRES:</b> 39.970 <b>REC DIST:</b> KUSKOKWIM <b>BOOK/PAGE/SER. #</b> 30/417 <b>INSTRU:</b> WARRANTY DEED <b>TERMS:</b> TERMS <b>CONDITION:</b> \$9,960 DOWN, 10% INT., \$638.26/MO., 5 YEARS	
<b>TAKEN BY:</b> _____ <b>DATE:</b> _____ <b>SOURCE OF INFORMATION/DATE:</b> FRANK KING BY VENTIS PLUME 2/01	
<b>LEGAL DESCRIPTION:</b> LOT 4, USS 9135  <b>TAX ID:</b>	<b>USGS MAP:</b> SLEETMUTE C-4 <b>QUAD:</b> SLEETMUTE <b>LATITUDE:</b> N614017 <b>LONGITUDE:</b> W1570921 <b>MTRS:</b> S018N043W07
<b>SLOPE:</b> LEVEL <b>VEGETATION:</b> WHITE SPRUCE, WILLOWS AND ALDER <b>SOILS:</b> APPEAR ADEQUATE <b>SHORE:</b> _____ <b>UNUSUAL FEATURES:</b> EXCELLENT HUNTING AND FISHING <b>SITE DESCRIPTION:</b> THIS PARCEL HAS A STEEP RIVER BANK AND IS MOSTLY LEVEL. SOILS APPEAR ADEQUATE FOR CONSTRUCTION, HOWEVER, THE AREA IS KNOWN TO EXPERIENCE OCCASIONAL FLOODING DURING SPRING BREAKUP. THERE IS AN ELECTRICAL COOPERATIVE ON THE WEST SIDE OF THE HOLITNA RIVER AND THE POSSIBILITY OF ELECTRICITY EXISTS BY A MARINE CABLE TO ACCESS THE POWER SOURCE. THERE ARE ABOUT FOUR WELL-DEVELOPED RURAL RESIDENCES LOCATED DIRECTLY WEST OF THIS PROPERTY. HUNTING AND FISHING ARE REPORTED TO BE EXCELLENT IN THE IMMEDIATE AREA.	
<b>FRONTAGE:</b> <input type="checkbox"/> LakeFrontage <input type="checkbox"/> HwyFrontage <input type="checkbox"/> OceanFrontage <input type="checkbox"/> CreekFrontage <input type="checkbox"/> PondFrontage <input checked="" type="checkbox"/> RiverFrontage <b>ELECTRICITY:</b> N <b>TELEPHONE:</b> N <b>WATER:</b> N <b>SEWER:</b> N <b>NATURAL GAS:</b> N <b>ACCESS:</b> BOAT	
<b>ZONING:</b> _____ <b>TITLE INTEREST:</b> FEE <b>PARCEL TYPE:</b> UPLAND <b>EASEMENTS/RESTRICTIONS:</b>	
<b>HIGHEST / BEST USE:</b> RECREATIONAL <b>MARKET EXPOSURE:</b> <b>SUPPLY/DEMAND:</b> <b>BUYER/SELLER MOTIVATION:</b>	

<b>SALE PRICE:</b>	\$40,000.00
<b>VALUE OF IMPROVEMENTS:</b>	\$0.00 <b>IMPROVEMENTS:</b>
<b>LAND VALUE:</b>	\$40,000.00

# OF SITES:	\$/SITE:	ACRES:	\$/ACRE:	SQUARE FEET:	\$/SQFT:	FRONT FEET:	\$/FF:	RENTAL RATE:
1	\$40,000	39.97	\$1,001	1,741,093	\$0.02	1500	\$26.67	0.000 %



# OF SITES:	\$/SITE:	ACRES:	\$/ACRE:	SQUARE FEET:	\$/SQFT:	FRONT FEET:	\$/FF:	RENTAL RATE:
1	\$22,500	37.95	\$593	1,653,102	\$0.01	0	\$0.00	0.000 %

**Figure 1**

SALE PRICE:	\$30,000.00		
VALUE OF IMPROVEMENTS:	\$2,000.00	IMPROVEMENTS:	CABIN
LAND VALUE:	\$28,000.00		

# OF SITES:	\$/SITE:	ACRES:	\$/ACRE:	SQUARE FEET:	\$/SQFT:	FRONT FEET:	\$/FF:	RENTAL RATE:
1	\$28,000	37.57	\$745	1,636,549	\$0.02	0	\$0.00	0.000 %

<b>ZONING:</b>	NONE	<b>TITLE INTEREST:</b>	FEE	<b>PARCEL TYPE:</b>	UPLAND
<b>EASEMENTS/RESTRICTIONS:</b>	100' SETBACK FROM TAKOTNA RIVER				
<b>HIGHEST / BEST USE:</b>	RECREATIONAL				
<b>MARKET EXPOSURE:</b>	DNR AUCTION (MIN BID \$12,000)				
<b>SUPPLY/DEMAND:</b>					
<b>BUYER/SELLER MOTIVATION:</b>					

SALE PRICE:	\$17,601.00	
VALUE OF IMPROVEMENTS:	\$0.00	IMPROVEMENTS:
LAND VALUE:	\$17,601.00	

# OF SITES:	\$/SITE:	ACRES:	\$/ACRE:	SQUARE FEET:	\$/SQFT:	FRONT FEET:	\$/FF:	RENTAL RATE:
1	\$17,601	20.76	\$848	904,306	\$0.02	0	\$0.00	0.000 %

<b>ID:</b> 13651	<b>PHOTOGRAPH/MAP:</b>
<b>REGION:</b> SOUTHCENTRAL <b>AREA:</b> ALASKA RANGE WEST <b>NEIGHBORHOOD:</b> MCGRATH <b>LOCATION:</b> LOCATED ON THE EAST SIDE OF NIXON FORK, ABOUT 5 MILES NORTH OF MCGRATH  <b>FRONTAGE NAME:</b> NIXON FORK <b>SUBDIVISION:</b>	
<b>GRANTOR:</b> STATE OF ALASKA, DNR <b>GRANTEE:</b> KORN, NELSON	
<b>DATE OF SALE:</b> 6/17/2002 <b>SALE PRICE:</b> \$24,004.00 <b>ACRES:</b> 36.330 <b>REC DIST:</b> MT. MCKINLEY <b>BOOK/PAGE/SER. #</b> <b>INSTRU:</b> <b>TERMS:</b> TERMS <b>CONDITION:</b> DNR TERMS	
<b>TAKEN BY:</b> _____ <b>DATE:</b> _____	
<b>SOURCE OF INFORMATION/DATE:</b> DNR RECORDS	
<b>LEGAL DESCRIPTION:</b> ASLS 87-355, PLAT 88-9, ADL 223550  <b>TAX ID:</b>	<b>USGS MAP:</b> MEDFRA A-6 <b>QUAD:</b> MEDFRA <b>LATITUDE:</b> _____ <b>LONGITUDE:</b> _____ <b>MTRS:</b> K028S017E20
<b>SLOPE:</b> LEVEL <b>VEGETATION:</b> SPRUCE, BIRCH, POPLAR, WILLOW AND ALDERS <b>SOILS:</b> POORLY DRAINED IN FLOODPLAIN WITH SOME PERMAFROST NEAR SURFACE <b>SHORE:</b> _____ <b>UNUSUAL FEATURES:</b> _____ <b>SITE DESCRIPTION:</b> SITE FRONTS ON NIXON FORK, AND UNNAMED CREEK AND UNNAMED LAKE. PART OF SITE APPEARS SWAMPY. SOLD AS PART OF 2002 DNR AUCTION (MINIMUM BID WAS \$17,000). SUMMER ACCESS VIA BOAT OR FLOATPLANE, WINTER BY SNOWMACHINE, SKIPLANE OR DOGSLED.	
<b>FRONTAGE:</b> <input type="checkbox"/> LakeFrontage <input type="checkbox"/> HwyFrontage <input type="checkbox"/> OceanFrontage <input type="checkbox"/> CreekFrontage <input type="checkbox"/> PondFrontage <input checked="" type="checkbox"/> RiverFrontage <b>ELECTRICITY:</b> N <b>TELEPHONE:</b> N <b>WATER:</b> N <b>SEWER:</b> N <b>NATURAL GAS:</b> N <b>ACCESS:</b> <div style="text-align: right; margin-right: 50px;">         ATV/SNOWMACHINE          BOAT          FLY IN       </div>	

<b>ZONING:</b> NONE	<b>TITLE INTEREST:</b> FEE	<b>PARCEL TYPE:</b> UPLAND
<b>EASEMENTS/RESTRICTIONS:</b> 100' SETBACK FROM NIXON FORK		
<b>HIGHEST / BEST USE:</b> RECREATIONAL <b>MARKET EXPOSURE:</b> DNR AUCTION SALE (MIN BID \$17,000) <b>SUPPLY/DEMAND:</b> <b>BUYER/SELLER MOTIVATION:</b>		

SALE PRICE:	\$24,004.00
VALUE OF IMPROVEMENTS:	\$0.00 IMPROVEMENTS:
LAND VALUE:	\$24,004.00

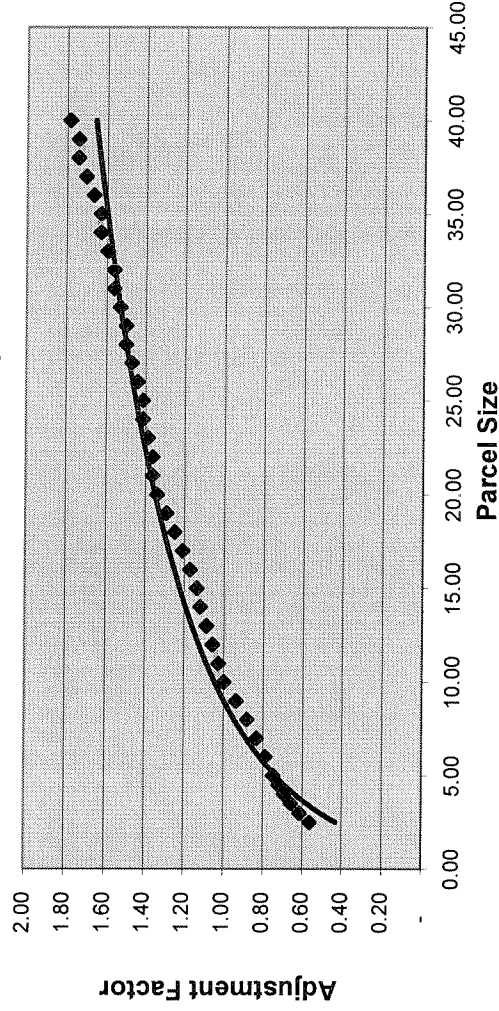
# OF SITES:	\$/SITE:	ACRES:	\$/ACRE:	SQUARE FEET:	\$/SQFT:	FRONT FEET:	\$/FF:	RENTAL RATE:
1	\$24,004	36.33	\$661	1,582,535	\$0.02	0	\$0.00	0.000 %

# SIZE ADJUSTMENT --DNK METHOD

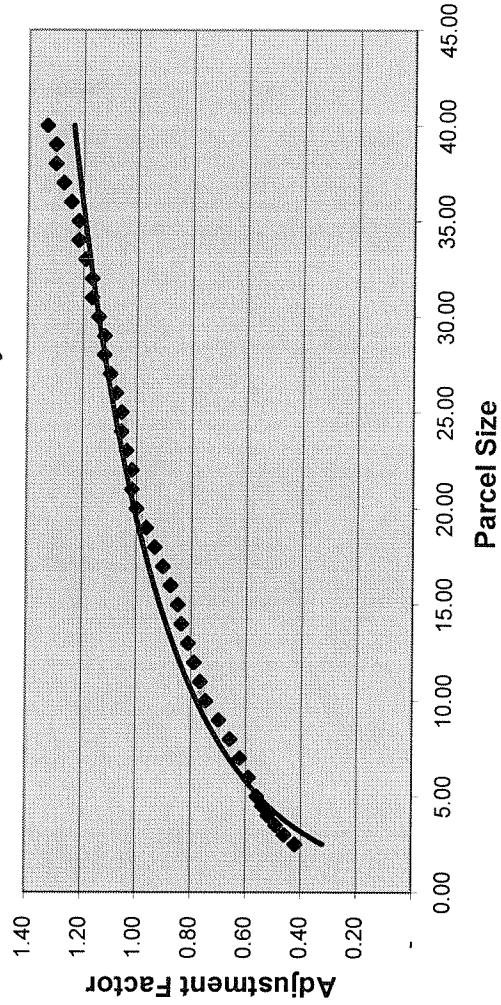
Developed by Steve Starrett

Acres	Starrett	Graph	Adj to 10 ac. Key	Adj to 20 ac. Key
2.50	1.33	1.22	0.56	0.42
3.00	1.22	1.16	0.61	0.46
3.50	1.14	1.12	0.66	0.49
4.00	1.08	1.08	0.69	0.52
4.50	1.04	1.04	0.72	0.54
5.00	1.00	1.01	0.75	0.56
6.00	0.95	0.96	0.79	0.59
7.00	0.90	0.91	0.83	0.62
8.00	0.85	0.87	0.88	0.66
9.00	0.80	0.83	0.94	0.70
10.00	0.75	0.80	1.00	0.75
11.00	0.73	0.77	1.03	0.77
12.00	0.71	0.75	1.06	0.79
13.00	0.69	0.72	1.09	0.81
14.00	0.67	0.70	1.12	0.84
15.00	0.66	0.68	1.14	0.85
16.00	0.64	0.66	1.17	0.88
17.00	0.62	0.64	1.21	0.90
18.00	0.60	0.63	1.25	0.93
19.00	0.58	0.61	1.29	0.97
20.00	0.56	0.60	1.34	1.00
21.00	0.55	0.58	1.36	1.02
22.00	0.55	0.57	1.36	1.02
23.00	0.54	0.55	1.39	1.04
24.00	0.53	0.54	1.42	1.06
25.00	0.53	0.53	1.42	1.06
26.00	0.52	0.52	1.44	1.08
27.00	0.51	0.51	1.47	1.10
28.00	0.50	0.49	1.50	1.12
29.00	0.50	0.48	1.50	1.12
30.00	0.49	0.47	1.53	1.14
31.00	0.48	0.46	1.56	1.17
32.00	0.48	0.45	1.56	1.17
33.00	0.47	0.45	1.60	1.19
34.00	0.46	0.44	1.63	1.22
35.00	0.46	0.43	1.63	1.22
36.00	0.45	0.42	1.67	1.24
37.00	0.44	0.41	1.70	1.27
38.00	0.43	0.40	1.74	1.30
39.00	0.43	0.40	1.74	1.30
40.00	0.42	0.39	1.79	1.33

Adjustment to 10 acre Key Parcel



Adjustment to 20 acre Key Parcel



**SPECIAL APPRAISAL INSTRUCTIONS**  
**DNR REMOTE RECREATIONAL CABIN SITE DISPOSAL, CALENDAR YEAR 2003**

1. **Appraisal Standards:** A **complete, summary** appraisal is required and must be prepared in accordance with these instructions and with Standards Rules 1 and 2 of the *Uniform Standards of Professional Appraisal Practice* (USPAP).
2. **Purpose of the Appraisal:** The purpose of the appraisal is to estimate market value.
3. **Intended Use:** The appraisal will be used by DNR to determine the purchase price for parcels to be acquired under the Remote Recreational Cabin Site staking program (AS 38.05.600).
4. **Definition of Market Value:** Appraisals must use the following definition of market value and must be based on terms of sale as described in section 5 below. Appraisals using other definitions will be returned for correction.

*The most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress.*<sup>1</sup>
5. **Terms of Sale:** Market value must be estimated in terms of seller financing typical for the market. DNR will not accept appraisals that apply a downward adjustment to comparable prices with typical seller financing in order to indicate a cash value. Per AS 38.05.065 DNR is required to offer seller financing and does not discount for cash.
6. **Property Rights Appraised:** Appraise the fee simple estate less mineral rights reserved under AS 38.05.125(a). Appraisals that do not cite this definition will be returned for correction.
7. **Appraisal Methodology:** Potential applicants are to be given value estimates for each staking area before they actually stake any parcels. For that reason, appraisals will be completed in a two-step process. In the first step (called the base report), an appraisal report will value hypothetical key parcels that are likely to be staked in each staking area, e. g. a lakefront parcel and an interior parcel. The base report will also quantify any value differences that are likely to exist between actual parcels and key parcels, e.g. size, access, building site, amenities, easements. In the second step (called the parcel report) the attributes of each actual, surveyed parcel will be compared to the appropriate key parcel as a means for determining the actual appraised value and purchase price. Parcel reports may be physically separate from the base reports. If that is the case, each parcel report will reference the base report as the basis for value. There will be lag time between completion of the base report and the actual date of entry/valuation date. Should values change between those dates, the parcel report will have to quantify the adjustment, if any, for time or market conditions.
8. **Date of Valuation:** Use a current date of valuation for the base report and the date of entry for the parcel report.
9. **Minimum Value:** Minimum parcel purchase price is \$1,000 per 11 AAC 67.840 (d)(2).
10. **Inspection and Determination of Site Quality:** Onsite inspection of the staking area and comparable sales is optional during preparation of the base report. In lieu of physical inspection for the base report, the appraiser may rely on as many sources of information as are available: recent aerial photos from commercial sources, previous DNR appraisals, topographic maps, field inspection reports in DNR case files, aerial mosaics in DNR design files, and previous field experience in the area. Actual surveyed parcels must be field inspected to determine site characteristics and quality compared with the hypothetical key parcel. Fly-over inspections are acceptable.
11. **Improvements:** Onsite improvements made by the applicant will be excluded from the estimate of value.
12. **Photographs:** The parcel valuation report must contain photographs of the actual, surveyed parcels. Photographs must clearly approximate property corners and boundaries with marks on the photographs or explanatory captions.
13. **Plat or Survey Maps:** Staking maps are required in the base report. Staking maps, survey maps, and land status maps are required in the parcel valuation report. The appraiser is expected to review staking maps, surveys, plats, plat notes, and land status maps for easements and other restrictions that could affect value and to summarize such easements and restrictions in the appraisal reports.
14. **Data Analysis and Key Parcel:** A base report may include more than one staking area if the market characteristics of the staking areas are similar. A base report may also include more than one hypothetical key parcel. When appraising similar parcels within the same or similar staking areas, a typical or *Key Parcel* valuation method must be used. For each key parcel appraised, the base report must include a valuation grid. When appraising key parcels, it is also acceptable to compare one key parcel to another as the method for estimating value, e.g. an interior key parcel is half the value of an otherwise similar lakefront parcel. Grids must describe the pertinent features of each of the key parcels and each of the comparable sales. Grids must also show quantitative adjustments made in relating the pertinent features of the comparable transactions to the pertinent features of the key parcels or pertinent features of actual parcels to key parcels.

<sup>1</sup> The Appraisal of Real Estate, Eleventh Edition, Appraisal Institute, 1996, page 22



**SPECIAL APPRAISAL INSTRUCTIONS**  
**DNR REMOTE RECREATIONAL CABIN SITE DISPOSAL, CALENDAR YEAR 2003**

In order to ensure consistency in the valuation process, adjustments must be quantified and briefly discussed in narrative, in addition to being presented in the grid. Whenever possible, the adjustments will be expressed in terms of multipliers, e.g. 1.20 for plus 20% or .80 for minus 20%. As the amount of the adjustment increases, the need for factual evidence (e.g. paired sales, data arrays, opinion surveys) increases. The final reconciliation must clearly state which indicators of value are the most reliable, and explain how each indicator affects the appraiser's final conclusion of value. Estimates based solely on the appraiser's opinion without explanation will be rejected. Estimates based solely on regression analysis or other statistical methods may also be rejected.

- 15. Comparable Sale Data and Map:** The base report must contain Comparable Sale Forms or data sheets. Each data sheet must be similar in content to the attached sample. A comparable sale location map is required, showing the location of each comparable in relation to the appraised properties and other comparables.
- 16. Report Format:** DNR has prepared standard base and parcel report formats that must be used. Contact the DNR review appraiser to obtain electronic copies of the format.
- 17. Required Number of Copies:** One bound copy of the draft base report and five bound copies of the final base report should be delivered to the DNR Review Appraiser. One copy of the parcel report should be delivered to the DNR Review Appraiser.
- 18. Disclosure:** By law, appraisal reports are public documents that must be made available to the public upon request. Appraisals shall not contain any language that restricts public use. If the report contains use-restricting language, the language will not apply.
- 19. Review and Approval:** The DNR review appraiser will review all appraisals for compliance with USPAP and DNR instructions.
- 20. How to Contact the DNR Review Appraiser:**

Judy A. Robinson, SR/WA  
Division of Mining, Land & Water  
550 W 7<sup>th</sup> Ave, Suite 650  
Anchorage, AK 99501-3576

Phone: 907-269-8512  
FAX: 907-269-8914  
E-mail: [judy@dnr.state.ak.us](mailto:judy@dnr.state.ak.us)  
Hours: 8AM to 4PM

Attachments: Comparable Sale Form  
Base Report Form  
Parcel Report Form

# **APPRAISER QUALIFICATIONS**

**Brandon Simpson**

## **Education**

University of Colorado at Denver: BA in Economics, 1998.  
Colorado State University

## **Appraisal Related Courses**

The Principles of Real Estate Appraisal, IRWA Course 400, 2002  
Land Valuation Assignments workshop, Appraisal Institute, 2002  
Land Valuation Adjustment Procedures workshop, Appraisal Institute, 2002

## **Work Experience**

Alaska Department of Natural Resources, Appraiser I, March 2002 to present  
Charles Schwab, Investment Consultant, May 1999 to March 2002  
Merrill Lynch, Client Service Specialist, July 1998 to May 1999